

Message Text

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ACTION EUR-12

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FM AMEMBASSY MOSCOW
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INFO AMEMBASSY BELGRADE
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
USINT HAVANA
AMCONSUL LENINGRAD
AMCONSUL MUNICH
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
USMISSION USBERLIN
USMISSION USNATO
AMEMBASSY WARSAW
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USDA FAS WASHDC

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SUBJECT: SOVIET PRICE INCREASES: BEVERAGES

REF: MOSCOW 3128

SUMMARY: MARCH 1 ANNOUNCEMENT OF SOVIET PRICE CHANGES
ATTRIBUTED INCREASE IN RETAIL PRICES OF COFFEE, COFFEE
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PRODUCTS AND CHOCOLATE CONFECTIONARIES TO "THE
SIGNIFICANT IRSE IN FOREIGN TRADE PRICES" OF COFFEE AND
COCOA BEANS. STATE PRICE COMMITTEE CHAIRMAN GLUSHKOV, AT
HIS MARCH 1 PRESS CONFERENCE, SAID PRICES WOULD BE RAISED
ON IMPORTED WINES AND LIQUORS. SINCE IT CAN APPLY TO
NUMEROUS OTHER ITEMS, THIS RATIONALE COULD PRESAGE PRICE
RISES ON OTHER IMPORTED FOOD ITEMS, WHICH SOVIETS

CAN PORTRAY AS LUXURIES. END SUMMARY.

1. THE SOVIET GOVERNMENT ATTRIBUTED TO HIGHER COSTS THE INCREASE IN PRICES OF COFFEE, COFFEE PRODUCTS AND CHOCOLATE CONFECTIONARIES. THE ANNOUNCEMENT, CARRIED IN THE CENTRAL PRESS ON MARCH 1, GAVE "THE SIGNIFICANT RISE IN FOREIGN TRADE PRICES" AS THE REASON FOR THESE CHANGES. IT STATED THAT COFFEE WOULD COST 20 RUBLES A KILO (US \$13.28 A POUND) AND THAT CHOCOLATE ITEMS WOULD INCREASE 30 PERCENT.

2. AT HIS PRESS CONFERENCE STATE PRICE COMMITTEE CHAIRMAN GLUSHKOV ALSO SAID -- AND NONE OF THIS WAS IN THE FORMAL ANNOUNCEMENT -- THAT THE PRICE OF INSTANT COFFEE WOULD NOW BE 60 RUBLES A KILO (US\$39.80 A POUND) AND THAT IMPORTED LIQUORS -- WHISKEY, GIN, WINES AND BRANDY -- WOULD GO UP IN PRICE ALONG WITH VODKA. HE DID NOT GIVE AN AVERAGE FOR THE INCREASES BUT HE MENTIONED THAT SOME WINES AND BRAND-IES WOULD GO UP 10 PERCENT. THE INCREASE ON VODKA WILL PROBABLY BE ACCEPT ED WITH GRUMBLING BY THE MAN ON THE STREET.

3. IN RESPONDING TO OTHER QUESTIONS ABOUT COFFEE, HE -- ASSERTED DEFENSIVELY THAT THE STATE HAD NOT BEEN WITHHOLDING SUPPLIES WAITING FOR THE PRICE INCREASE (BUT MOSCOW STORES HAD COFFEE ON THE SHELF AFTER THE PRICE RISE LIMITED OFFICIAL USE

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WHEREAS THERE HAD BEEN LITTLE OR NONE FOR MONTHS BEFORE); -- SAID THAT COFFEE HAD PREVIOUSLY BEEN SOLD AT LESS THAN COST AND THAT THE STATE NOW WANTED TO "STABILIZE THE PRICE AND WOULD LIKE TO MAKE SOME PROFIT ON IT; -- STATED THAT THERE WAS NO PLAN TO INCREASE COFFEE IMPORTS BEYOND THE 40 THOUSAND TON PER YEAR MARK, AS IT WAS EXPECTED THAT PEOPLE WOULD BUY LESS NOW THAT THE PRICE HAD GONE UP; -- PROMISED ONLY THAT THE SOVIET UNION WOULD NOT RAISE ITS COFFEE PRICES IN THE EVENT THAT WORLD PRICES GO DOWN. MATLOCK

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